

FILED IN THE
U.S. DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON

MAY 17 2022

SEAN F. McAVOY, CLERK
DEPUTY
SPOKANE, WASHINGTON

1 Vanessa R. Waldref
2 United States Attorney
3 Eastern District of Washington
4 Tyler H.L. Tornabene
5 Dan Fruchter
6 Assistant United States Attorneys
7 Frieda K. Zimmerman
8 Special Assistant United States Attorney
9 Post Office Box 1494
10 Spokane, WA 99210-1494
11 Telephone: (509) 353-2767

12 UNITED STATES DISTRICT COURT
13 FOR THE EASTERN DISTRICT OF WASHINGTON

14 UNITED STATES OF AMERICA,

15 Plaintiff,

16 v.

17 KARLA LETICIA PADILLA-REYNA,
18 a.k.a. KARLA PADILLA,

19 Defendant.

1:22-CR-2059-MKD

INDICTMENT

Vio: 18 U.S.C. § 1343
Wire Fraud
(Counts 1-4)

18 U.S.C. § 287
False, Fictitious, or Fraudulent
Claims
(Counts 5-7)

18 U.S.C. § 981
28 U.S.C. § 2461
Forfeiture Allegations

20 The Grand Jury charges:

21 GENERAL ALLEGATIONS

22 1. At all times relevant to this Indictment, the Defendant, KARLA
23 LETICIA PADILLA-REYNA, was a resident of Yakima, Washington.
24
25
26
27
28

1 2. The Coronavirus Aid, Relief, and Economic Security Act (“CARES”
2 Act) was a federal law enacted on March 27, 2020, designed to provide emergency
3 financial assistance to the millions of Americans who were suffering the economic
4 effects caused by the COVID-19 pandemic. One source of relief provided by the
5 CARES Act was the authorization of forgivable loans to small businesses for job
6 retention and other certain expenses, through a program referred to as the Paycheck
7 Protection Program (“PPP”).

8 3. In order to obtain a PPP loan, a qualifying business was required to
9 submit a PPP loan application signed by an authorized representative of the
10 business. The PPP loan application required the business (through its authorized
11 representative) to acknowledge the program rules and make certain affirmative
12 certifications in order to be eligible to obtain the PPP loan. In the PPP loan
13 application, the applicant (through its authorized representative) was required to
14 state, among other things: (a) its average monthly payroll expenses; and (b) its
15 number of employees. If the applicant had no employees other than the owner, the
16 applicant was required to provide the gross income amount from a 2019 or 2020
17 IRS Form 1040, Schedule C. These figures were used to calculate the amount of
18 money the small business was eligible to receive under the PPP. Additionally, the
19 application was required to certify that they were in operation as of February 15,
20 2020. The applicant was also required to certify that the information in the
21 application was true and correct to the best of the applicant’s knowledge.

22 4. A business’s PPP loan application was received and processed, in the
23 first instance, by a participating lender. If a PPP loan application was approved, the
24 participating lender funded the PPP loan using its own monies. Data from the
25 application, including information about the borrower, the total amount of the loan,
26 the listed number of employees, and the gross income amount, was transmitted by
27
28

1 the lender to the Small Business Administration (“SBA”), an agency of the United
2 States, in the course of processing the loan.

3 5. PPP applications are received in cloud-based platforms. The location
4 of the server through which the PPP application is submitted is based on the date
5 the application was processed by the SBA and the application number. During the
6 time period relevant to this Indictment, all PPP applications were received through
7 the Summit platform, a cloud-based platform utilizing the AWS GOV cloud
8 servers located in Oregon. PPP lenders submitted disbursement details into the
9 SBA E-Tran system in Sterling, Virginia. E-Tran transmitted the PPP processing
10 fee to the lender through the United States Treasury’s Financial Management
11 System (FMS) to the Treasury. The primary server for FMS is in Sterling,
12 Virginia.

14 6. In addition to the PPP loan program, the CARES act also authorized
15 the Economic Injury Disaster Loan (“EIDL”) program. EIDL is an SBA program
16 that provides low-interest funding to small businesses, renters, and homeowners
17 affected by declared disasters.

18 7. In order to obtain an EIDL and advance, a qualifying business must
19 submit an application to the SBA and provide information about its operations,
20 such as the number of employees, gross revenues for the 12-month period
21 preceding the disaster, and cost of goods sold in the 12-month period preceding the
22 disaster. In the case of EIDLs for COVID-19 relief, the 12-month period was the
23 year preceding January 31, 2020. The applicant must also certify that all the
24 information in the application is true and correct to the best of the applicant’s
25 knowledge.

27 8. The amount of an EIDL, if the application is approved, is determined
28 based, in part, on the information provided in the application about employment,
revenue, and cost of goods, as set forth above. Any funds issued under an EIDL or

1 advance are issued directly by the SBA. EIDL funds can be used for payroll
2 expenses, sick leave, production costs, and business obligations, such as debts,
3 rent, and mortgage payments. If the applicant also obtains a loan under the
4 Paycheck Protection Program, the EIDL funds cannot be used for the same purpose
5 as the Paycheck Protection Program funds.

6 9. EIDL applications are received in cloud-based platforms. The
7 location of the server through which the EIDL application is submitted is based on
8 the date the application was processed by SBA and the application number.
9 During the time period relevant to this Indictment, all EIDL applications were
10 either received through the DCMS 2.0 servers located in Quincy, Washington, or
11 in a Microsoft cloud-based platform using a Rapid Finance application, through
12 SBA servers located in Des Moines, Iowa.

13
14 The Scheme

15 10. The allegations in paragraphs 1 through 9 of this Indictment are
16 incorporated as though realleged herein.

17 11. Beginning no later than on or about April 2, 2020, and continuing
18 through at least April 22, 2021, in the Eastern District of Washington and
19 elsewhere, Defendant KARLA LETICIA PADILLA-REYNA devised and
20 intended to devise a scheme to defraud the SBA, and to obtain money and property
21 by means of materially false and fraudulent pretenses, representations, and
22 promises.

23 12. Specifically, Defendant KARLA LETICIA PADILLA-REYNA,
24 applied for three PPP loans, receiving two, using false and fraudulent information
25 about her purportedly active company, Queen B Collectibles, LLC, sometimes held
26 out as Queen B Enterprises (hereinafter collectively Queen B), with the intent to
27 defraud, steal, and convert the proceeds of the PPP Loans for Defendant KARLA
28

1 LETICIA PADILLA-REYNA's personal use and without any intent to use the
2 proceeds thereof for any authorized purpose, or any intent to repay the PPP Loans.

3 13. Additionally, Defendant KARLA LETICIA PADILLA-REYNA,
4 applied for at least four EIDLs using false and fraudulent information about her
5 purportedly active company, Queen B, with the intent to defraud, steal, and convert
6 the proceeds of the EIDLs for Defendant KARLA LETICIA PADILLA-REYNA's
7 personal use and without any intent to use the proceeds thereof for any authorized
8 purpose, or any intent to repay the EIDLs. Of those EIDLs that Defendant
9 KARLA LETICIA PADILLA-REYNA applied for, she obtained one EIDL with
10 the intent to defraud, steal, and convert the proceeds of that EIDL for Defendant
11 KARLA LETICIA PADILLA-REYNA's personal use and without any intent to
12 use the proceeds thereof for any authorized purpose, or any intent to repay the
13 EIDL.
14

15 Manner and Means

16 It was part of this scheme that:

17 Economic Injury Disaster Loan No. 5405907800

18 14. On or about April 2, 2020, Defendant KARLA LETICIA PADILLA-
19 REYNA, applied for an EIDL by submitting application number 3600537630 to
20 the SBA under the name of her purported company, Queen B for EIDL Loan No.
21 5405907800. Defendant KARLA LETICIA PADILLA-REYNA listed Queen B's
22 business address as her own personal address as found on her Washington State
23 Driver's License.
24

25 15. The Defendant KARLA LETICIA PADILLA-REYNA falsely stated,
26 in the application, that Queen B had 3 employees as of January 31, 2020, that its
27 gross revenues for the 12-month period prior to January 31, 2020, were
28 \$68,000.00, that its cost of goods sold for the 12-month period prior to January 31,

1 2020, was \$35,000.00. Defendant KARLA LETICIA PADILLA-REYNA
2 indicated that the Employer ID number ("EIN") for Queen B was 85-0568322.

3 16. Defendant KARLA LETICIA PADILLA-REYNA certified that the
4 information in the application was true and correct to the best of her knowledge,
5 under penalty of perjury and of other criminal penalties for false information.

6 17. These representations and certifications were materially false and
7 fraudulent. In fact, Queen B was not actively engaged in any business as of
8 January 31, 2020. On or about April 3, 2020, Defendant KARLA LETICIA
9 PADILLA-REYNA sought and obtained EIN 85-0568322. Additionally, Queen B
10 did not have any employees, and was not active, as of January 31, 2020, nor did it
11 have any receipts in the 12 prior months. Accordingly, Queen B and Defendant
12 KARLA LETICIA PADILLA-REYNA were not eligible for any EIDL funding.

13 18. In her EIDL application, Defendant KARLA LETICIA PADILLA-
14 REYNA provided a personal bank account in her name for disbursement with
15 HAPO Community Credit Union (HAPO), account number ending in
16 xxxxxxxx3010. HAPO is a federally insured financial institution, the deposits of
17 which are insured by the National Credit Union Administration.

18 19. As a result of the fraud and relying on the materially false and
19 fraudulent representations and certifications made by Defendant KARLA
20 LETICIA PADILLA-REYNA, SBA approved the requested EIDL, and, on April
21 26, 2020, disbursed an advance of \$3,000 on EIDL Loan No. 540907800 via the
22 interstate wires to the HAPO Account ending in 3010 of the Defendant KARLA
23 LETICIA PADILLA-REYNA located in Richland, Washington in the Eastern
24 District of Washington.

25 20. As a result of the fraud and relying on the materially false and
26 fraudulent representations and certifications made by Defendant KARLA
27 LETICIA PADILLA-REYNA, SBA approved the requested EIDL, and, on May
28

1 30, 2020, disbursed \$13,500 on EIDL Loan No. 540907800 via the interstate wires
2 to the HAPO Account ending in 3010 of the Defendant KARLA LETICIA
3 PADILLA-REYNA located in Richland, Washington in the Eastern District of
4 Washington.

5 21. On or about April 6, 2020, Defendant KARLA LETICIA PADILLA
6 REYNA applied for a second EIDL by submitting application number 3600889558
7 to the SBA under the name of her purported business, Queen B. Defendant
8 KARLA LETICIA PADILLA-REYNA listed the “primary business address” of
9 the purported business as her residential address in Yakima, Washington.
10

11 22. The Defendant KARLA LETICIA PADILLA-REYNA falsely and
12 fraudulently stated, in the application, that Queen B had 3 employees as of January
13 31, 2020, that its gross revenues for the 12-month period prior to January 31, 2020,
14 were \$69,000.00, that its cost of goods sold for the 12-month period prior to
15 January 31, 2020, was \$35,600.00. Defendant KARLA LETICIA PADILLA-
16 REYNA indicated that the Employer ID number (“EIN”) for Queen B was 85-
17 0568322.

18 23. On or about April 7, 2020, Defendant KARLA LETICIA PADILLA-
19 REYNA applied for a third EIDL by submitting application number 3601003312
20 to the SBA under the name of her purported business, Queen B.

21 24. The Defendant KARLA LETICIA PADILLA-REYNA falsely and
22 fraudulently stated, in the application, that Queen B had 3 employees as of January
23 31, 2020, that its gross revenues for the 12-month period prior to January 31, 2020,
24 were \$69,750, that its cost of goods sold for the 12-month period prior to January
25 31, 2020, was \$35,000.00. Defendant KARLA LETICIA PADILLA-REYNA
26 indicated that the Employer ID number (“EIN”) for Queen B was 85-0568322.
27

28 25. On or about April 14, 2020, Defendant KARLA LETICIA PADILLA-
REYNA applied for a fourth EIDL by submitting application number 3601260104

1 to the SBA under the name of her purported business, Queen B. Defendant
2 KARLA LETICIA PADILLA-REYNA listed the “primary business address” of
3 the purported business as her residential address in Yakima, Washington.

4 26. The Defendant KARLA LETICIA PADILLA-REYNA falsely and
5 fraudulently stated, in the application, that Queen B had 3 employees as of January
6 31, 2020, that its gross revenues for the 12-month period prior to January 31, 2020,
7 were \$69,850.00, and that its cost of goods sold for the 12-month period prior to
8 January 31, 2020, was \$35,000.00. Defendant KARLA LETICIA PADILLA-
9 REYNA indicated that the Employer ID number (“EIN”) for Queen B was 85-
10 0568322.

11
12 Paycheck Protection Program Loan No. 54659282-05

13 27. On or about August 7, 2020, Defendant KARLA LETICIA
14 PADILLA-REYNA submitted an application for PPP loan number 54659282-05 to
15 the SBA in the name of her purported company, Queen B. Defendant KARLA
16 LETICIA PADILLA-REYNA listed Queen B’s address as her personal address
17 on her Washington State Driver’s License.

18 28. Defendant KARLA LETICIA PADILLA-REYNA falsely and
19 fraudulently stated in the application for PPP loan number 54659282-05 that
20 Queen B had been established on October 18, 2018, that it had 4 employees as of
21 the date of the application, that its average monthly payroll was \$8,616.00, and that
22 its Employer Identification Number (EIN) was 85-0568322. Based on that
23 information, Defendant KARLA LETICIA PADILLA-REYNA requested a PPP
24 loan for Queen B in the amount of \$21,500.

25
26 29. These representations were materially false and fraudulent. Queen B
27 was not an active business as of February 15, 2020, meaning that Queen B was not
28 eligible for any PPP funding. The Internal Revenue Service (IRS), which issues
EINs, did not issue EIN 85-0568322 until April 3, 2020. Additionally, records

1 from the Washington Department of Revenue and Washington Employment
2 Security Department indicate that Queen B did not report any revenue for the year
3 prior to February 15, 2020, and had no employees or payroll for the year prior to
4 February 15, 2020, and that a business license in the name of Queen B was issued
5 by Washington State Department of Revenue on April 3, 2020.

6 30. PPP loan number 54659282-05 was handled by MBE Capital
7 Partners, a lending institution located in Fort Lee, New Jersey, on a delegated basis
8 from the SBA. MBE Capital Partners submitted disbursement details for this loan
9 into the SBA E-Tran system located in Sterling, Virginia.

10 31. On or about August 11, 2020, as a result of the fraudulent scheme
11 described above, and the materially false and fraudulent information supplied by
12 Defendant KARLA LETICIA PADILLA-REYNA, MBE Capital Partners
13 disbursed \$21,500 into Defendant KARLA LETICIA PADILLA-REYNA's
14 Banner Bank Account located in Walla Walla, Washington, ending in 4618.

15 32. On or about October 20, 2021, Defendant KARLA LETICIA
16 PADILLA-REYNA falsely and fraudulently requested loan forgiveness of the
17 entire PPP loan amount by falsely representing that the PPP loan proceeds had
18 been used for eligible uses and expenses, including the false representation that
19 \$14,565 of the loan amount had been used for payroll expenses.

20 Paycheck Protection Program Loan No. 17213483-08

21 33. On or about January 19, 2021, Defendant KARLA LETICIA
22 PADILLA-REYNA submitted an application for PPP loan number 17213483-08 to
23 the SBA in the name of her purportedly active company, Queen B. Defendant
24 KARLA LETICIA PADILLA-REYNA listed Queen B's address as her personal
25 address on her Washington State Driver's License.

26 34. Defendant KARLA LETICIA PADILLA-REYNA falsely and
27 fraudulently stated in the application for PPP loan number 17213483-08 that
28

1 Queen B had been established in 2018, had 3 employees as of the date of the
2 application, and that its average monthly payroll was \$8,641.00. Based on that
3 information, Defendant KARLA LETICIA PADILLA-REYNA requested a PPP
4 loan for Queen B in the amount of \$21,602.

5 35. These representations were materially false and fraudulent. Queen B
6 was not an active business as of February 15, 2020, meaning that Queen B was not
7 eligible for any PPP funding. The Internal Revenue Service (IRS), which issues
8 EINs, did not issue EIN 85-0568322 until April 3, 2020. Additionally, records
9 from the Washington Department of Revenue and Washington Employment
10 Security Department indicate that Queen B did not report any revenue for the year
11 prior to February 15, 2020, and had no employees or payroll for the year prior to
12 February 15, 2020, and that a business license in the name of Queen B was issued
13 by Washington State Department of Revenue on April 3, 2020.

14 36. PPP loan number 17213483-08 was handled by Montana Community
15 Development Corporation, a lending institution located in Missoula, Montana, on a
16 delegated basis from the SBA. Montana Community Development Corporation
17 submitted disbursement details for this loan into the SBA E-Tran system located in
18 Sterling, Virginia.

19 37. On or about January 26, 2021, as a result of the fraudulent scheme
20 described above, and the materially false and fraudulent information supplied by
21 Defendant KARLA LETICIA PADILLA-REYNA, Montana Community
22 Development Corporation disbursed \$21,602 into Defendant KARLA LETICIA
23 PADILLA-REYNA's HAPO Account located in Richland, Washington, ending in
24 4030, which was not created until December 11, 2020, as a personal business
25 account for Queen B.

26 38. On or about October 20, 2021, Defendant KARLA LETICIA
27 PADILLA-REYNA falsely and fraudulently requested loan forgiveness of the
28

1 entire PPP loan amount by falsely representing that the PPP loan proceeds had
2 been used for eligible uses and expenses, including the false representation that
3 \$13,256 of the loan amount had been used for payroll expenses.

4 Paycheck Protection Program Loan No. 89259688-00

5 39. On or about April 22, 2021, Defendant KARLA LETICIA PADILLA-
6 REYNA submitted an application for PPP loan number 89259688-00 to the SBA
7 in the name of her purported company, Queen B. Defendant KARLA LETICIA
8 PADILLA-REYNA listed Queen B's address as her personal address on her
9 Washington State Driver's License.

10 40. Defendant KARLA LETICIA PADILLA-REYNA falsely and
11 fraudulently stated in the application for PPP loan number 89259688-00 that
12 Queen B had been established on August 15, 2017, that it had 4 employees as of
13 the date of the application, that its average monthly payroll was \$25,707.00, and
14 that its Employer Identification Number (EIN) was 85-0568322. Based on that
15 information, Defendant KARLA LETICIA PADILLA-REYNA requested a PPP
16 loan for Queen B in the amount of \$64,266.

17 41. These representations were materially false and fraudulent. Queen B
18 was not an active company as of February 15, 2020, meaning that Queen B was not
19 eligible for any PPP funding. The Internal Revenue Service (IRS), which issues
20 EINs, did not issue EIN 85-0568322 until April 3, 2020. Additionally, records
21 from the Washington Department of Revenue and Washington Employment
22 Security Department indicate that Queen B did not report any revenue for the year
23 prior to February 15, 2020, and had no employees or payroll for the year prior to
24 February 15, 2020, and that a business license in the name of Queen B was issued
25 by Washington State Department of Revenue on April 3, 2020.

26 42. PPP loan number 89259688-00 was handled by MBE Capital
27 Partners, a lending institution located in Fort Lee, New Jersey, on a delegated basis
28

1 from the SBA. MBE Capital Partners submitted disbursement details for this loan
 2 into the SBA E-Tran system located in Sterling, Virginia. However, the loan was
 3 canceled because Defendant KARLA LETICIA PADILLA-REYNA did not
 4 supply the requested Schedule C tax form.

5 Counts 1-4

6 43. The allegations in paragraphs 1 through 42 of this Indictment are
 7 incorporated as though realleged herein.

8 44. On or about each of the dates set forth below, in the Eastern District
 9 of Washington and elsewhere, Defendant KARLA LETICIA PADILLA-REYNA,
 10 for the purpose of executing the scheme described above, caused to be transmitted
 11 by means of wire communication in interstate commerce the signals and sounds
 12 described below for each count, each transmission constituting a separate count:
 13

Count	Date	Description
1	April 26, 2020	EFT payment from FMS servers, in Sterling, Virginia, to HAPO Account ending in 3010 in Richland, Washington, in the amount of \$3,000.00 for EIDL No. 5405907800.
2	May 30, 2020	EFT payment from FMS servers, in Sterling, Virginia, to HAPO Account ending in 3010 in Richland, Washington, in the amount of \$13,500.00 for EIDL No. 5405907800.
3	August 11, 2020	EFT payment from MBE Capital Partners, in Fort Lee, New Jersey to Banner Bank Account located in Walla Walla, Washington, ending in 4618, in the amount of \$21,500 for PPP Loan No. 54659282-05.
4	January 26, 2021	EFT payment from Montana Community Development Corporation, in Missoula, Montana, to HAPO Account located in Richland, Washington, ending in 4030, in the amount of \$21,602.00 for PPP Loan No. 17213483-08.

28 All in violation of 18 U.S.C. § 1343.

Counts 5-7

45. The allegations in paragraphs 1 through 44 of this Indictment are incorporated as though realleged herein.

46. On or about each of the dates set forth below, in the Eastern District of Washington and elsewhere, Defendant KARLA LETICIA PADILLA-REYNA made and presented to the United States Small Business Administration claims concerning PPP and EIDL applications, knowing said claims were false and fraudulent, and knowing the information submitted was materially false and fraudulent, described below for each count, each transmission constituting a separate count:

Count	Date	Description
5	April 2, 2020	EIDL application number 3600537630 in the name of Queen B Collectibles LLC for an EIDL in the amount of \$13,500.00, plus an additional \$3,000 advance.
6	August 7, 2020	PPP application for PPP Loan No. 54659282-05 in the name of Queen B Collectibles LLC for an PPP loan in the amount of \$21,500.00.
7	January 19, 2021	PPP application number 17213483-08 in the name of Queen B Collectibles LLC for an PPP loan in the amount of \$21,602.00.

All in violation of 18 U.S.C. § 287.

NOTICE OF FORFEITURE ALLEGATIONS

The allegations contained in this Indictment are hereby realleged and incorporated herein by this reference for the purpose of alleging forfeitures.

Pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c), upon conviction of an offense in violation of 18 U.S.C. § 1343, as alleged in Counts 1 through 4 of this Indictment, Defendant KARLA LETICIA PADILLA-REYNA

1 shall forfeit to the United States any property, real or personal, which constitutes or
2 is derived from proceeds traceable to the offense. The property to be forfeited
3 includes, but is not limited to, the following:

4 MONEY JUDGMENT

5 A sum of money equal to \$59,602.00 in United States currency,
6 representing the amount of proceeds obtained by Defendant, KARLA
7 LETICIA PADILLA-REYNA from the wire fraud violations.

8 If any of the property described above, as the result of any act or omission of
9 Defendant KARLA LETICIA PADILLA-REYNA:

- 10 (a) cannot be located upon the exercise of due diligence;
11 (b) has been transferred or sold to, or deposited with, a third party;
12 (c) has been placed beyond the jurisdiction of the court;
13 (d) has been substantially diminished in value; or
14 (e) has been commingled with other property which cannot be divided
15 without difficulty,
16
17
18
19
20
21
22
23
24
25
26
27
28

1 the United States shall be entitled to forfeiture of substitute property pursuant to 21
2 U.S.C. § 853(p), as incorporated by 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C.
3 § 2461(c).

4
5 DATED this 17^m day of May 2022.

6
7 A TRUE BILL
8
9
10
11

12 Vanessa R. Waldref
13 Vanessa R. Waldref
14 United States Attorney

15 Tyler H.L. Tornabene
16 Tyler H.L. Tornabene
17 Assistant United States Attorney

18 Dan Fruchter
19 Dan Fruchter
20 Assistant United States Attorney

21
22 Frieda K. Zimmerman
23 Frieda K. Zimmerman
24 Special Assistant United States Attorney
25
26
27
28